

Reply to Common Council File No. 010365

From DOA-Budget and Management Division

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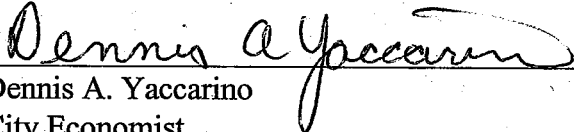
Common Council file 010365 contains a resolution extending the contract for health, dental and fringe benefits with service providers. The two major components of the contract extensions are that of the basic plan with WPS and the HMO contracts.

The costs related to the basic plan are driven by actual utilization. WPS has estimated that costs could rise approximately 13%. This is based on historical and current trends in basic plan utilization. The 2002 budget request reflects this increase which is equivalent to \$4.4 million.

The increase in the HMO contracts is more pronounced. They will increase by a minimum of 20%. Furthermore, one previous HMO did not bid for city business. The city will be offering three HMO's in 2002. The 20% increase in premiums will cost approximately \$8 million. Only \$3 million was reflected in the 2002 budget request.

According to the city labor contracts, the city must provide these fringe benefits. These contracts provide those benefits at the current prices in the market.

RECOMMENDATION: ADOPT COMMON COUNCIL RESOLUTION 010365 APPROVING EXTENSION OF HEALTH, DENTAL AND FRINGE BENEFIT CONTRACTS WITH SERVICE PROVIDERS.


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